

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 L-03 H-01 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 /057 W
-----012980 162034Z /53
R 161236Z NOV 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 1706

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EO 11652: N/A
TAGS: EINV, ETRD, EG
SUBJECT: COLGATE-BALMOLIVE INVESTMENT PROJECT

REF: CAIRO 2166

1. SUMMARY. COLGATE-PALMOLIVE PROJECT TO PRODUCE TOILETRIES IN EGYPT APPEARS TO ON ITS WAY TO REALIZATION AFTER CLARIFICATION OF MISUNDERSTANDING ABOUT "CONDITIONS" REPORTEDLY ATTACHED TO INVESTMENT AUTHORITY'S APPROVAL. GOE WILL TAKE NO ACTION TO HAVE FIRM REMOVED FROM BOYCOTT "LIST", BUT WILL PERMIT IT TO OPERATE HERE. THIS ENOUGH FOR COMPANY, WHICH THINKS PROJECT VIABLE AND BELIEVES THAT MODEST LEVEL OF EXPORTS TO THE ARAB WORLD CAN BE MAINTAINED, EVEN THOUGH BOYCOTT SANCTION REMAINS. END SUMMAY

2. COLGATE REP. ALBERT HAWKES RETURNED CAIRO NOVEMBER 11 FOR FURTHER DISCUSSION WITH GOE ABOUT COMPANY'S PROPOSED INVESTMENT PROJECT. WHEN HAWKES WAS HERE LAST SPRING, COLGATE PROJECT HAD BEEN APPROVED ONLY AS A FREE ZONE OPERATION, ALTHOUGH WHAT COMPANY WANTED WAS AN INLAND PROJECT. SUBSEQUENTLY, IN LATE JUNE, INVESTMENT AUTHORITY APPROVED PROJECT ON AN INLAND BASIS. SOON AFTER THAT, HAWKES INDICATED IN LETTER TO EMBASSY THAT COLGATE WAS PURSUING MATTER, BUT WE HEARD NOTHING FURTHER.

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3. HAWKES NOW SAYS THAT IN JULY HE WAS ADVISED BY LOCAL LAW FIRM RETAINED BY COMPANY THAT INVESTMENT AUTHORITY APPROVAL FOR COLGATE TO ESTABLISH PROJECT IN EGYPT WAS CONDITIONED UPON COMPANY PROVING THAT IT HAD BEEN REMOVED FROM BOYCOTT "LIST". COLGATE FELT THAT IN THESE CIRCUMSTANCES, IT COULD MAKE LITTLE FORWARD PROGRESS. FIRM HAS NO INTENTION, HAWKES SAID, OF DIVESTING

ITSELF OF PLANT IN ISREAL OWNED BY ITS HELENA RUBENSTEIN SUBSID-
IARY.

4. DESPITE UNACCEPTABLE GOE "CONDITION", HAWKES SAYS, COLGATE DID SOME FURTHER STUDIES AND PROJECTIONS AND DECIDED THAT IT COULD PROBABLY EXPORT ENOUGH TO ARAB MARKETS TO MAKE EGYPTIAN PROJECT ECONOMICALLY VIABLE EVEN IF BOYCOTT SANCTION WERE NOT LIFTED. WITH THIS IN MIND, AND ENCOURAGED BY RECENT TELEX HE RECEIVED FROM INVESTMENT AUTHORITY DEPUTY CHAIRMAN GAMAL EL NAZER, HAWKES DECIDED RETURN CAIRO TO SEE WHAT COULD BE DONE ABOUT PURPORTED BOYCOTT REMOVAL CONDITION IN INVESTMENT AUTHORITY'S APPROVAL OF PROJECT. HAWKES WAS ALSO ENCOURAGED BY HAVING HEARD THAT OTHER BOYCOTTED COMPANIES, NOTABLY XEROX AND FORD, HAD RECEIVED UNCONDITIONAL APPROVAL LETTERS.

5. IN MEETING WITH EL NAZER NOVEMBER 12, HAWKES SAID HE DISCOVERED THAT THERE WAS IN FACT NO REQUIREMENT IN INVESTMENT AUTHORITY'S APPROVAL OF COLGTE PROJECT HTAT COMPANY DEMONSTRATE IT HAD BEEN REMOVED FROM BOYCOTT "LIST". THERE HAD BEEN SUCH A CONDITION WHEN PROJECT WAS INITIALLY APPROVED AS FREE ZONE TYPE, BUT, CONDITION WAS NOT INCLUDED WHEN APPROVAL WAS SUBSEQUENTLY GIVEN FOR INLAND OPERATION. COLGATE'S LOCAL LAWYERS HAD DECIDED, ERRONEOUSLY, THAT EARLIER CONDITION CONTINUED BE APPLICABLE, (EVEN THOUGH LATER APPROVAL DOCUMENT DID NOT SPECIFICALLY MENTION IT) AND HAD ADVISED COMPANY ACCORDINGLY.

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6. WHEN HAWKES SAW EL NAXER, LATTER CORRECTED THIS MISUNDERSTANDING AND TOLD COLGATE REP. THAT WHILE GOE WOULD NOT ACT TO HAVE FIRM "DE-LISTED", COLGATE WAS ENTIRELY WELCOME TO SET UP ITS PROJECT IN EGYPT AND TO EXPORT, IF IT COULD, FROM HERE TO OTHER ARAB COUNTRIES. EL NAZER ALSO SAID THAT HE WOULD EXTEND FOR A FURTHER 6 MONTHS THE USUAL PERIOD WITHIN WHICH STEPS MUST BE TAKEN TO "REALIZE" AN APPROVED PROJECT.

7. HAWKES SAYS HE EXPECTS HAVE COMPANY FORMED BY LATE JANUARY OR EARLY FEBRUARY. EACH OF FIVE EGYPTIAN PARTNERS (INCLUDING AMERICAN UNIVERSITY ENDOWMENT FUND) WILL HAVE FIVE PERCENT OF THE EQUITY OF ABOUT \$2 MILLION, AND COLGATE WILL HAVE REMAINING 75 PERCENT.

8. COMMENT: APPROVAL OF COLGATE PROJECT APPEARS UNDERSCORE GOE'S POLICY DECISION TO PERMIT BOYCOTTED FIRMS TO OPERATE HERE, EVEN IF, AS IN COLGATE CASE, FIRM MAINTAINS ITS ISRAELI LINK. EL NAZER COMMENTS FURTHER EMPHASIZE, HOWEVER, WHAT SEEMS TO BE CURRENT GOE POLICY NOT TO TAKE DIRECT ACTION TO HAVE BOYCOTT SANCTION REMOVED.
EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROGRAMS (PROJECTS), FOREIGN INVESTMENTS, TOILET PREPARATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO19053
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Handling Restrictions: n/a
Image Path:
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Line Count: 115
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2f713819-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 CAIRO 2166
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 573398
Secure: OPEN
Status: NATIVE
Subject: COLGATE-BALMOLIVE INVESTMENT PROJECT
TAGS: EINV, ETRD, EG, US, COLGATE PALMOLIVE CO
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/2f713819-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009